

Coburn Amendment #409 —To establish a deficit-neutral reserve fund to sunset the provision of ACA that increases payments to hospitals in a few states by reducing payments to the majority of states through the Medicare hospital wage index. (*McCaskill, Baldwin Cosponsors*)

There was a provision tucked into the health reform law that adjusted the calculation of a wage index used to make hospital payments under the Medicare program. Unfortunately, the provision has the net effect of *reducing* Medicare reimbursements for hospitals in most states while *increasing* them in Massachusetts.

It is unfair to advantage a few states at the expense of the many, so this bipartisan amendment sunsets that provision and requires the Medicare program to adjust the wage index in a fair manner.

This amendment sunsets one provision of the health reform law hurting hospitals across the country.

The National Rural Health Association and 20 state hospital associations wrote President Obama about what they said is the “adverse impact” this provision of law is having on hospitals across the country.¹ They noted this provision “permitted the Commonwealth of Massachusetts to manipulate the federal Medicare program, reaping an estimated \$367 million annually from the other 49 states and—*unfairly favoring one state’s hospitals and Medicare beneficiaries to the detriment of others.*”²

If current law is not changed, the National Rural Health Association warned that “hospitals in 49 states will experience reduced funding of more than \$3.5 billion over the next ten years as a direct result of this manipulation.”³

The amendment is budget neutral, and requires Medicare to apply state-wide budget neutrality for their hospital wage index. This change would increase Medicare payments for hospitals in a majority of states.

This amendment ends a special deal in law.

¹ http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=72d677d4-2e08-4845-9993-ed502e3a3e18

² http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=72d677d4-2e08-4845-9993-ed502e3a3e18

³ http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=72d677d4-2e08-4845-9993-ed502e3a3e18

It is unfair to manipulate the Medicare payment system to benefit one state's hospitals at the expense of all other states' hospitals. No state should have a special exemption while others bear the costs for a provision designed to advance a special interest.

Even Dr. Don Berwick, President Obama's former nominee to oversee the Medicare program, has acknowledged the problem with this manipulation of law. As he was quoted in a *Boston Globe* article:

"The entire way the payment system is now calculated has become so complex and so susceptible to gaming and manipulation that you'd play the game yourself if you were running a hospital, to make sure your reimbursements continue to go up..... *What Massachusetts gets comes from everybody else.*"⁴

This amendment would sunset the unjust provision and allow all hospitals in all states to be treated equally under the law.

This amendment is based on solid policy rationale, and has strong bipartisan support.

Some may suggest this amendment unfairly picks on one rural hospital in one state, the Nantucket Cottage Hospital in Massachusetts. That is inaccurate.

The reality is that hospitals in one state *unfairly benefits from payment reductions to dozens of other hospitals across the country*. As was reported by the *Boston Globe* in January, "Nantucket Cottage's rural designation has allowed the state's 81 other hospitals to collectively reap between a \$256.6 million and \$367 million annual bonus for the last two years."

This unfair practice should be ended. Even the Administration's staff overseeing the Medicare program expressed concerns that what was done in Massachusetts results in significantly inflated wage indexes across the state "in a manner that was not intended by Congress."⁵ In comments in the Federal Register, Medicare program staff even called this provision of law a "manipulation" of the payment system.

⁴ <http://www.bostonglobe.com/news/nation/2013/01/13/states-planning-legislative-fight-for-massachusetts-medicare-windfall/HV4WGDUCSOISoTxlcbwSUL/story.html>, emphasis added

⁵ http://www.coburn.senate.gov/public/index.cfm/rightnow?ContentRecord_id=60395151-428f-4074-8e31-309b1bfabdae&ContentType_id=b4672ca4-3752-49c3-bffc-fd099b51c966&Group_id=00380921-999d-40f6-a8e3-470468762340

Current law manipulates the wage index and is not based on patient or community need. That's why there is strong bipartisan support to end this provision of law. In fact, 22 members on both sides of the aisle —9 Democrats and 13 Republicans—are currently cosponsoring a bill in Congress that mirrors this amendment.⁶

This is a solidly bipartisan proposal. All that remains is for Congress to adopt this policy.

⁶ S. 183, the Hospital Payment Fairness Act of 2013